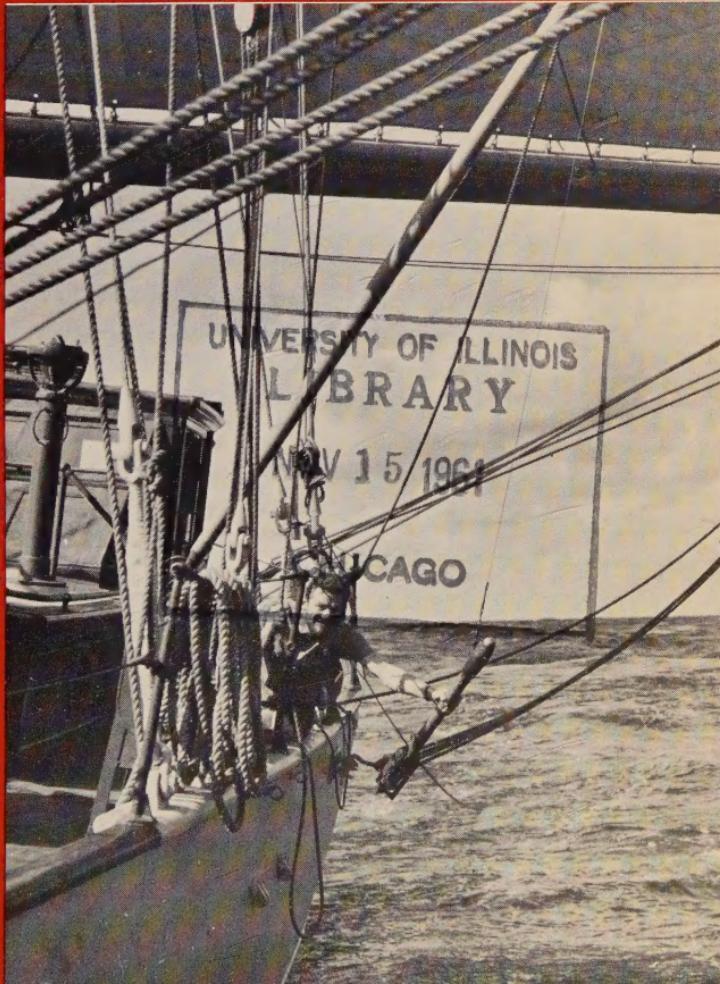


November 8, 1961

Investor's Reader

For a better understanding of business news



OCEANOGRAPHY
REVEALS NEW
PROMISE FROM THE
OCEAN DEPTHS
(see page 1)



FIGURE FORMULA

This stylish "Helen Harper" sweater set displayed by the comely model is a product of modern chemistry. Made of synthetic fiber Acrilan by Chemstrand Corp, it was styled by Blume Knitwear Inc of Manhattan which looms "over \$5,000,000 annually" in sweaters and coordinated sportswear.

Late September in an obvious step to enter a market long-dominated by duPont's Orlon, test tube textiler Chemstrand purchased a 50% interest in Blume. Says Chemstrand

vice president William G Luttge: "We believe we have a fiber which for properties and packaging form is entitled to a position in acrylic fiber sweaters. What we need is the cooperation of people skilled in sweater styling, manufacturing and marketing. Helen Harper provides a framework for exploring new techniques and products in this field." He mentions Blume will continue as a completely independent operation but the exchange of ideas between the two companies will be accelerated. As important existing markets for Acrilan he cites blankets, floor coverings and knitted outerwear excluding sweaters.

Chemstrand was patterned jointly in 1949 by American Viscose and Monsanto Chemical. Today it ranks second to duPont in nylon and acrylic fibers, is wholly owned by Monsanto which bought out Avisco's half last January (IIR, Aug 30). Sales for 1960 were \$204,000,000 and net was \$24,000,000 or one-third of Monsanto's total. For 1961 Monsanto's nine months sales rose 2% to \$695,000,000 but earnings dropped to \$50,100,000 from \$53,700,000 or \$1.83 a share compared to \$1.98 on fewer shares outstanding a year ago.

As for Chemstrand's contribution, this is now Monsanto's secret. After a brief three years of audited annual reporting beginning in 1957, Chemstrand has disappeared from the ranks of companies issuing volume and income statements.

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Investor's Reader

No 10, Vol 37**November 8, 1961**

The Ocean May Promise More Than Space

Oceanographers Uncover The Hidden Resources Which Lie Under Water

*It is an ironic fact that we are learning to leave this planet just when we are beginning to think about it as a whole * * * with our Sputniks and Explorers we shall soon soar beyond all horizons. But men were never as aware as they are today that our survival depends on careful husbanding of every resource of Earth. This realization has led to a great surge of interest in the largest and least-known feature of the Earth's surface, the ocean.*

WITH THIS STATEMENT Roger R Revelle, director of the Scripps Institution of Oceanography at La Jolla, Cal expressed man's renewed hope to use and exploit the prodigious hidden wealth of the ocean's "inner space." The earth's oceans have 140,000,000 square miles of surface area and cover towering mountain ranges; the deepest ocean trenches could swallow Mt Everest with a couple of thousand feet to spare. Many scientists believe the oceans offer more promise of economic reward than the cold regions of outer space. The effort to study and exploit the 71% of our planet beneath the waves is the science of oceanography.

Today there are over 500 oceanographers in the US and they come from the fields of physics, geology, biology, chemistry and mathematics. Almost half work at two world-famous centers: Woods Hole Oceanographic Institution on Cape Cod and the Scripps Institution of Oceanography, a division of the University of California. Other scientists brood in Government agencies (Coast and Geodetic Survey, Hydrographic Office) and universities, notably Columbia's Lamont Geological Observatory, Rhode Island's Narragansett Marine Biological Laboratory, Johns Hopkins' Chesapeake Bay Institute, Marine Institute of U of Miami, Harvard and MIT.

The oceanographer works in many waters—sky blue and otherwise. He

studies the circulation of the water, the horizontal ocean currents and their meanderings, the mechanics of the ocean's vertical turnover and the interchange between the ocean and the atmosphere. He charts the ocean's bottom and subbottom, its depth, the formation of ocean basins, islands and continents; he probes the teeming marine life within the sea, the chemical make-up of the water and its role in supporting sea life.

While most oceanographic research is classified as "basic" with no immediate or practical economic value, its efforts have changed many areas of our economic and military life.

Non-military Benefits

Salt was the first mineral taken from the seas. Primitive man knew how to extract salt through solar evaporation of sea water. Probably the world's biggest solar sea plants are the natural evaporation beds of the Dead Sea.

Modern industrial producers use more efficient methods. **Dow Chemical** is a leader in chemical extraction. Through Dow's efforts all US magnesium and 80% of its bromine are now chemically extracted from sea water. But so far these methods are feasible for only magnesium, potassium, bromine and salt.

But a new field may open up—extraction of minerals from marine animals & plants. Some of these creatures can concentrate elements in their bodies. An example: sea-garden variety seaweed gathers dilute iodine salts so efficiently it is an economical source of the element.

Seaweed also yields economical amounts of gel for use in ice cream, cattle and poultry feeds or as a base in bacteriological media (agar-agar). In the last ten years a seaweed industry of some \$3,500,000 a year has grown up in Scotland. In the US there are some profitable small businesses based on seaweed extractions. Among them is **Seaplant Corp** of New Bedford, Mass.

Still another type of ocean mining is possible. Scattered on most parts of the ocean floor are lumps of material rich in manganese, nickel and copper. Dredging these nodules in quantity is the big problem. But in a recent study U of California's Dr John Mero states: "From an economic standpoint manganese, nickel, cobalt and copper are the interesting metals which can be recovered from sea-floor nodules." He feels sea mining would be competitive if an operation could be designed to bring the nodules into the hold of a ship at a cost of \$5-to-\$10 a ton. This would mean the Eastern Pacific's extensive sea-floor deposits could be classed as ore-grade.

So far US mining and processing companies have not been enthusiastic. They regard ocean floor mining as a "highly uncertain business." **Freeport Sulphur** found sea nodules could be refined by a similar process to regular ores but it has "no plans to mine any other minerals" than sulphur from beneath the waves. A specialist from **Merritt-Chapman & Scott** asserts at this stage "recovering nodules from the sea is an impractical proposition."

But industry has gone to sea (and gulf) for oil. In the last ten years offshore oil production has grown from a few barrels to 185,000,000 barrels last year. By 1970 the production figure may grow to 700,000,000 barrels. In comparison, 1960 US oil production was 2.5 billion barrels.

Oil now is drilled in underwater fields in the deep waters of the Gulf of Mexico and the near-shore waters of Louisiana, Texas and Southern Calif.



Woods Hole and ocean probe vessels

fornia. More is being located. The sounding discoveries of Columbia's research ship the *Vema* indicate additional new wells may be uncovered beneath salt domes in the deeper waters of the Gulf of Mexico.

Natural gas is growing into a large offshore operation. Last year 350 billion cubic feet of gas were produced or 3% of US production. Latest developments in offshore oil & gas production include underwater storage systems, consisting of a series of bottom-anchored nylon and rubber tanks.

Of course the largest ocean-resource industry is fishing. Developments to improve catches include new types of ships (motherships, factoryships and large long-range vessels) and improved methods of handling fish (quick freezing, freeze drying). Handling of nets has been aided by light, strong synthetic fibers, power winches and experience.

Last year the oceans yielded some 31,000,000 tons of fish, valued at between \$4 and \$5 billion. The US hauls in only about 6% of the catch. An area of remarkable growth has been industrial use of fish and fish products for fertilizers and animal feeds.

Recent oceanographic investigations reveal fish like electric fields the same way cows like salt. The fish line up in pulsed, direct current fields and swim toward the positive electrode with each pulse of electricity. If the anode is made the mouth of a large suction pump the fish can be lifted aboard ship by the ton. No nets needed. Electric fishing may transform a chance operation into an efficient process.

Another fishing aid developed as a result of oceanographic studies is the use of air bubbles produced by a perforated plastic hose on the sea bottom. The hose can be maneuvered so it herds the fish to a collecting

point. Maine sardine fishermen now use this method. Another oceanographic development is sonar with which a fishing vessel can accurately locate large schools of fish.

While oceanography has contributed to non-military economics, the bulk of research has markedly affected the military. During War II, oceanographers' experience with underwater acoustics taught destroyer crews how to hunt submarines with sonar and sub crews how to escape detection. From knowledge of fouling mechanisms the oceanmen developed a kind of anti-fouling paint which increased a ship's speed and reduced overhaul time in drydock. With this one bit of knowledge the Navy reduced its wartime fuel consumption by 10%.

Oceanographers also analyzed the waves and forecast weather conditions which landing parties would meet on distant beaches. From aerial photos of beaches and patterns of the breakers they drew accurate maps of the shoals and deeps close to the shore.

Oceanic Defense

Since the War research in the fields of oceanic communications, detection systems and weaponry has continued. Last year the Navy's antisubmarine warfare (ASW) budget amounted to \$1.4 billion. Much of this was spent on electronic equipment—radar, sonar, communication and guidance systems, fire controls systems and various kinds of instrumentation. Funds for R&D amounted to \$174,500,000 and an additional \$238,600,000 was allocated to develop a simplified antisubmarine weapon for older destroyers and for further torpedo research, nuclear weapons, communications equipment, ASW aircraft, a hydrofoil sub chaser, attack subs and an oceanographic research ship.

Much of the Navy's research money has been directed towards sonar (IR, Aug 5, 1959), the principal detection device used by both surface craft and submarines. Sonar can be of two types: 1) active which sends out sound impulses to be picked up when reflected back from an object and 2) passive sonar which sends out no sound but detects objects from the sounds they emit. Passive sonar cannot give away the position of the ship which carries it but it does not provide as accurate detail on a detected object's course, speed, etc as active sonar.

Among the companies active in the field is **Raytheon**. Government contracts to the company last year totaled \$30,000,000. And it recently received another contract for a "radically new sonar system" to include search, attack and communication equipment. **Sanders Associates, Hoffman Electronics** and the electronics division of **Sparton Corp** have a total of over \$5,000,000 in contracts for production of sonobuoys (units which float freely and relay underwater sounds to passing aircraft). **Bendix Corp**'s Bendix Pacific division is developing lightweight, long-range sonar for the HSS-2 helicopter produced by **Sikorsky** division of **United Aircraft**. **Texas Instruments** is under contract for "dipping" sonar, a device which can be lowered below the surface by a helicopter.

Magnavox has a contract for a fighter plane device which correlates data fed to it by ships and sonobuoys. This device translates the information on to a radar screen and guides the plane to the sub target. Perhaps the singl

most extensive sonar contract is the multimillion dollar Project Caesar. It involves the installation of sonar detection units in a covering network along both US coastlines. The Eastern segment is largely complete.

But sonar is not infallible. Its accuracy is curtailed by water temperature, turbidity, variations in salinity and a complex of ocean sounds emitted by sea creatures. Because of such limitations other detection devices are being studied. These include: magnetic anomaly detection (MAD) based on the detection of small variations in the earth's normal magnetic field in the under-sea environment; infra-red detectors which are heat sensitive instruments able to record the slightest change in the water's temperature caused by the passage of a "hot" body. Also receiving some attention is detection of the small traces of nuclear waste emitted by nuclear submarines. Little success in this study has been reported.

In communications the problems are even more involved. As yet except when submarines are surfaced, allowing communication by light signals and beacons, information must be sent through radio, easily detected by sonar, or through active sonar which emits a positioning signal. Both these techniques are limited by a variety of water conditions.

Little is known as yet about radio transmission into water (short wave radio signals will not penetrate into the sea and longer wave radio reaches down at best only a hundred feet).

One future possibility is the use of an orbiting satellite as a transmission link. The sub might beam its transmission to the satellite which would then relay the transmission to the intended receiver. The reverse might also be feasible.

SOFAR, So Good

Communication via sonar is currently limited to position locating because actual talk gives away position and requires involved coding. Submarines and surface craft can establish their positions by sensing signals emitted from sonobuoys of known location. A downed plane or distressed ship can signal neighboring ships or shore stations by setting off small explosive charges. Above a certain depth these sounds will travel thousands of miles and allow a "fix" on the explosive's location. This technique has been dubbed SOFAR (sound fixing and ranging) by the Navy.

Other Navy antisubmarine R&D areas include weaponry and improvement of navigation and guidance systems for both surface and submarine craft. For nuclear subs **Sperry Rand** has built a computer called SINS (ship-

SOME COMPANIES IN OCEANOGRAPHIC WORK

| | | | |
|--------------------|---------------------|----------------------------|--------------------|
| Aerojet-General | General Dynamics | Loral Electronics | Sanders Associates |
| American Tel & Tel | General Electric | Magnavox Company | Sangamo Electric |
| Barnes Engineering | General Mills | Marine Acoustical Services | Sparton Corp |
| Bendix Corp | Goodyear | Martin-Marietta | Sperry Rand |
| Clevite Corp | Grumman Aircraft | Merritt-Chapman & Scott | Texas Instruments |
| Cohu Electronics | Gulton Industries | Minneapolis-Honeywell | Thompson Ramo |
| Collins Radio | Hoffman Electronics | North American Aviation | Union Oil of Cal |
| Dukane Corp | Kollmorgen Corp | Northrop Corp | United Aircraft |
| Edo Corp | Ling-Temco-Vought | Raytheon Company | Vitro Corp |
| Farrand Optical | Lockheed Aircraft | Reynolds Metals | Western Electric |

board inertial navigation system) for the inertial guidance system developed for nuclear subs by **Autonetics**, a division of **North American Aviation**. Other navigation techniques under study include man's original navigation system, the stars. **Farrand Optical** makes an optical celestial tracker and **Northrop's Nortronics** and **Kollmorgen** are jointly producing a fully instrumented star-tracking periscope. Nortronics and **Collins** are separately developing radiometric sextants which will concentrate radio transmissions coming from the sun or moon in much the same way an optical telescope concentrates light.

In the field of antisubmarine weaponry ASROC, a rocket-assisted torpedo and depth bomb with a ten-mile range, is being developed by **Minneapolis-Honeywell**. SUBROC, a sub-carried system capable of detecting an enemy target, computing its course and speed and firing a missile (range 25-to-50 miles) from underwater, is being built by **Goodyear**.

Aside from sponsoring this bristling arsenal the Government is spending another \$23,000,000 this year for oceanography. Some projects: a plan to drill a hole through the ocean floor to the Mohorovicic Discontinuity (MOHOLE Project). If the scientists are successful they will gain information on the structure of the earth and perhaps a priceless record of the sediments that have settled since the earth was young. Two possible sites: the deep ocean trench north of Puerto Rico or the waters off Guadalupe Island in the Pacific.

In the realm of Jules Verne a contract has been signed for construction of a three-man aluminum submarine capable of descending and cruising almost three miles down in the ocean depths (nuclear subs can cruise around 500 feet). The sub will be built by the **Electric Boat** division of **General Dynamics** under a \$2,000,000 contract from **Reynolds International**, a subsidiary of **Reynolds Metals Company**. Reynolds will own the sub but will lease it to Woods Hole Oceanographic Institution which will operate it for the Office of Naval Research. The Navy will pick up the fat (\$1-to-\$3,000,000) yearly operational bill.

Ling-Temco-Vought is now building a 12-foot long mechanical porpoise for the Navy. This device will swim in the usual continuous dive and surface pattern of the porpoise and will be used to gather information for submarine warfare. The first project scheduled is the taking of ocean temperatures. Temperature layers at different depths strongly affect sonar signals.

But the National Research Council of the National Academy of Sciences feels the current basic research program is not enough. It recommends a ten-year oceanographic program with an average yearly cost of \$60,000,000. Almost half of the money would be used to build and operate a fleet of oceanographic research ships which would include manned submersibles, open-ocean study platforms, icebreaking subs and improved survey instruments. Currently the US research fleet consists of some 45 vessels, only one designed and built for deep sea study. The rest are converted yachts, tugs, fishing boats and assorted small Navy craft. Japan and the USSR both have sizable oceanographic fleets. The Russians operate the largest fleet with the 6,000 ton *Mikhail Lomonosov* almost three times the size of the biggest US oceanographic ship.

BUSINESS AT WORK

NATIONAL ECONOMY

Steel View

THE industry usually regarded as the nation's most basic has its hands full of problems: rising costs, some price shading and just recently a slight turndown in production. But a look at a recent cluster of third quarter earnings reports shows some encouraging signs. Though National Steel earned \$7,009,000 or 92¢ a share *v* \$1.06 a year earlier, Wheeling Steel hauled in \$5,451,000 (78¢) *v* only \$558,000 (7¢), Inland Steel rang up \$14,441,000 (81¢) *v* \$5,135,000 (28¢) and Bethlehem Steel covered its dividend by taking in \$33,943,000 or 71¢ *v* \$12,436,000 or 24¢.

AUTOS

Progress By Smogmen

TODAY the 13 members of California's Motor Vehicle Pollution Control Board will hold a public hearing in the State Office Building in Los Angeles. This is the group appointed by Governor Edmund Brown and charged by the California legislature 1½ years ago to find a solution to California's onerous smog problem by screening anti-smog devices for automobiles. On the agenda is clarification of cost criteria for smog devices. Besides the press and a crowd of manufacturers' representatives from the automobile, metal, chemical and petroleum industries, many motorists with a pocketbook concern are expected to attend.

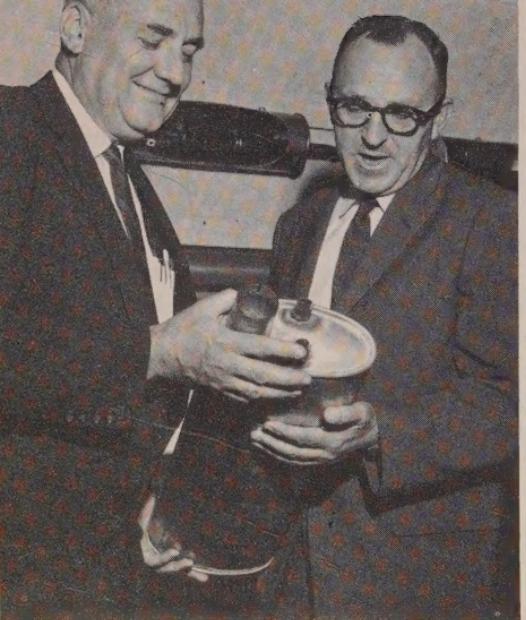
The Pollution Control Board was

empowered by the Cameron anti-smog bill passed in California in April, 1960 (IR, July 6, 1960). "Since then we have had to pioneer an entirely new field of emission control, set standards, establish test procedures, hire a staff, organize committees and become operational in every sense of the word," reports Board staffmember Ray Kovitz.

Board chairman is Dr John T Middleton, 49, head of the department of plant pathology at the University of California and a specialist in air pollution. Others include a businessman, directors of the state's health, highway patrol and motor vehicles bureaus and a Teamsters Union official plus a representative of a women's organization called Stamp Out Smog (SOS).

The Board meets monthly to review applications, test procedures, set criteria etc. In September for instance it specified exhaust devices should be able to reduce hydrocarbon emissions to 275 particles per million, they should have a minimum 12,000-mile life and should not increase gas consumption by more than 10%. Each time new specifications are added, manufacturers get a clearer idea of their targets but they often have to go back to their labs and test tracks to make extensive revisions.

At October's meeting the Enforcement & Compliance committee was established to look into the complex problem of how to enforce the law once devices are installed on California vehicles. The Cameron bill



Exhaust de-smogger

states that once two or more anti-smoggers have been certified by the Board they will be required on all new cars within one year and on all cars and trucks within three years (used cars may be exempted in smog-free areas). As the Board is keenly aware, with California's current 8,000,000 auto population and a predicted unit cost for devices from \$50-to-100, it is handling the fortunes of a very large captive market.

One complication is the Board has found it takes two devices per auto to do the job; hence it must certify two of each type. One on the crankcase is about 25% effective in reducing smog-causing hydrocarbon emissions. The other in the exhaust system raises total effectiveness to around 85%. To date one device has been approved—a crankcase ventilating system (called a blow-by device) supplied by Gen-

eral Motors subsidiary AC Spark Plug.

John Middleton explains approval for the AC device is short of certification and its legal requirement on State cars, since that is mandatory "only when two or more devices meet all our requirements." However, "even following the approval there has been great public interest in installing it on fleet vehicles. Groups such as Southern California Edison, the Times-Mirror and Los Angeles county are already putting them in."

The same device was sanctioned last year by the Automobile Manufacturers Association and installed (for \$5.40) on an estimated 300,000 1961 cars delivered in California. It is currently going on 1962 California-bound models.

For its testing the Board leases a lab from the Los Angeles Air Pollution Control District, is soon to move into expanded facilities. Testing is in progress on five other crankcase types submitted by GM's Rochester Products division, the LA Pollution Control District, Alma Manufacturing of LA, Walker Manufacturing of Jackson, Mich and Carter Carburetor, a division of ACF Industries. "We expect to approve another one before year end," John Middleton predicts.

Of 28 exhaust devices submitted to date, 19 have been rejected and the remaining nine are currently in contention. Test procedure was changed at the October meeting. Before that the farthest along was the Houdry catalytic converter by Oxy-Catalyst Inc of Berwyn, Pa (GM has

a non-exclusive license on this) which had been formally accepted for the first stage of testing. Now like the other applicants Oxy-Catalyst will have to submit new test results to meet the revised requirements.

Other entries are those of Universal Oxidation Processes Inc, a subsidiary of Universal Oil Products; Arvin Industries; Calumet & Hecla; Standard Products Company of Cleveland; Chromalloy Corp of Hawthorne, Cal which has a licensing agreement on its "smog-burner" with AMF; McAlester Aircraft, the Davison Chemical division of W R Grace and a joint effort of American Cyanamid and Walker Manufacturing. Notes John Middleton about this phase of the contest: "We likely won't certify for at least another year."

As the contest drags on the projected market for eventual winners looms far greater than the Golden State. Legislation is expected to come up in Albany this Fall requiring the blow-by device on New York state cars. And prompted by the fact an estimated 20 states and most industrial cities have air pollution problems, Welfare Secretary Abraham Ribicoff has suggested requiring smog devices on all US cars by 1964.

MANAGEMENT

Prophet Soothsays

SPORTING a miniature knife and fork tie clip Henry A (Monte) Montague, president of industrial caterer Prophet Company, a short time ago outlined his company's domain: "We have about 240 clients and service nearly 350 units in 31 states from coast to coast." He amended: "Our

largest concentration is in the Midwest." Vice president of the Detroit-based chef, James E Rather, added: "Every year we feed the equivalent of one meal to every person in the US."

Biggest customers are auto and allied equipment makers which bring in nearly half of Prophet volume. The company's first client 42 years ago, General Motors, is still its largest and "we feed over 50% of their employes, mostly in the Chevrolet and Fisher divisions." Other Prophet patrons include Goodyear, Western Electric and Westinghouse. Prophet's 4,000 employes also feed bank clerks, salesgirls, kids in summer camp. Monte Montague adds: "Schools and hospitals are becoming very important to us. School sales are up 33% this year and we have five hospitals v one a year ago." Vice president Rather likes the patient business: "In a plant you feed one person five meals a week but in a hospital it's 21."

Customers provide the kitchen and heavy equipment, Prophet supplies dishes, flatware and linen. Prophet purchases and prepares the groceries and in some locations operates the entire cafeteria, dining room, snack bar, coffee wagon and vending machine operation. Prophet runs its installations both on a profit & loss basis and, less often, for a fixed fee. To test the quality of its food the company maintains a kitchen in the basement of Fisher Building headquarters where all executives, including Monte (see picture), sample new recipes.

Early this week Prophet made its nine-month report which showed total receipts rising 4% to \$24,300,-

000. But profits tumbled 43% to \$360,000 or to 67¢ a share from \$1.22. Monte explains: "Sales are up because of new business but our old business was down." The culprit: the auto industry which "had one of their slowest periods ever in the first six months and in the third quarter when we'd hoped to come back GM had a two-week strike." The heavy-built executive, who just turned 50, looks to record 1961 sales of approximately \$34,000,000 and profits "around \$1.15 or \$1.25 a share, assuming a good last quarter." Last year on \$32,900,000 volume the company's net income reached an alltime high of \$905,000 and share earnings, after two stock dividends of 2% each during the year, came to \$1.71 *v* \$1.74.

Until 1955 the \$5,400,000-assets caterer was known as the Fred B Prophet Company, named after its late

Ye Host Monte



founder. Two years after the corporate title was shortened, Prophet stock was listed on the Amex where the 540,000 shares trade around 23, down from the 35½ high posted earlier this year. Based on the 15¢ quarterly dividend, "PRP" shares yield 2.6%. The company supplemented the cash handout again this mid-year with 2% stock but a sister payment at year end according to executive Montague "is a moot question."

Prophet stock was first offered in 1945 at \$6.25 a share (adjusted down to a little over \$2 after 3-for-2 and 2-for-1 splits). Of the company's 3,000 stockholders Monte claims "some are still the original buyers." The largest block of stock, "close to 10%," is held by officers & directors.

Since "there were no little Prophets" when founder Fred retired in 1952 Henry Montague who had come to the company three years earlier took over as president. Pre-Prophet he had been manager of Restaurant Associates in New York which now runs such plush eateries as the Four Seasons but in Monte's era, he wistfully remembers, "we had mostly hamburger stands."

Monte got his training at Cornell's school of hotel administration and won his degree in 1934. Born in London, England, Monte was orphaned at the age of nine and he came to live in Ithaca with his aunt & uncle. He helped work his way through school as assistant manager of the student union building but found time to play in Cornell's band, was elected to the hotel school's honorary society Ye Hosts. During graduation week Monte married his college sweetheart

Esther, a home economics major. They have three daughters aged 11, 15 and 19.

Monte who next Spring will become president of the National Restaurant Association (he is vice president now) describes the feeding industry as "tremendously competitive." Moreover, "we are up against a bunch of giants now." In the past 18 months many catering competitors have merged with larger outfits. The marriages include Nationwide Food Service of Chicago and Automatic Canteen, Philadelphia's Slater Food Service Management and Automatic Retailers and the American News acquisition of Crotty Brothers of Boston. Also many small vendors have been gobbled up by national operators. Prophet itself has been approached by "practically all the vending companies but is not planning any merger at this time."

Instead the company intends "to expand its own vending operations heavily." In many locations Prophet operates its own vending machines or subcontracts the business to an independent. President Montague says: "We are taking on more & more of the vending business ourselves." Jim Rather figures "of our units which have vending, approximately 30% have our own machines." The 40-year-old vice president predicts Prophet vending volume "will more than double this year" to over \$4,000,000.

While president Montague considers vending a form of diversification, the biggest Prophet step afield came in 1959 when it bought Detroit's Rathskeller restaurant. Prophet later

moved its board room to the Rathskeller. Since the first purchase Prophet has opened four more restaurants and all are called "Monte's" after Prophet's prezzy. Two are in Cincinnati, one in Chicago and another in Detroit. While hesitating to comment on the restaurants' profitability, president Montague is "encouraged by their progress."

Meanwhile "vending is paying off now." Altogether Monte is "very optimistic about 1962. If the economy does what is predicted, we will have a very good year."

AMUSEMENTS **Columbia's Gem**

THE TUESDAY after Thanksgiving the first meeting of the stockholders of Screen Gems Inc will take place in a newly-refurbished studio on New York's West 54th Street. Although the company has been in existence since 1948 as the TV arm of Columbia Pictures, it went public only last February when 288,000 shares, or 11% of the company, were sold on rights to Columbia Pictures shareholders for \$9 a share. The stock reached a high of 27, now trades on the American Stock Exchange around 22.

President Abe Schneider has promised a "unique visual presentation" for the stockholder gathering. A more important feature of the meeting will be an opportunity for mutual chortling over the company's star performance in the 1961 fiscal year ended June—gross income rose to \$55,800,000 v \$41,700,000 while net income rose to \$2,670,000 or \$1.05 a share from \$1,620,000 or 64¢ the

previous year. The fiscal 1961 gross was more than triple the 1956 gross of \$16,170,000 while net nearly tripled from \$908,000.

As a result of such gains, Screen Gems has a jewel-like balance sheet. Total assets are \$38,600,000 and net working capital is \$8,260,000 with \$4,250,000 in cash and equivalent. There is no debt or preferred stock. Columbia Pictures still owns 89% of the 2,250,000 shares and according to chief Schneider has no present intention of selling more (Schneider is president of both companies).

Screen Gems does three jobs for its stockholders and Columbia Pictures: 1) production and distribution of TV film series, 2) distribution of old feature films and 3) filming and distribution of TV commercials for which the company was originally founded.

For this fiscal year Screen Gems has 15 shows set for the networks. Returning to the screen is such TV

A Schneider of Screen Gems



fare as *Dennis the Menace*, *Naked City*, *Yogi Bear*, *Huckleberry Hound*, *The Flintstones* and *Quick Draw Mc-Graw*. One of the new shows will be *Hazel* starring Shirley Booth based on the *Saturday Evening Post* cartoon. Screen Gems vp and general manager Jerome Hyams claims: "It's a terrific coup getting Miss Booth." Scheduled to reappear for the eighth straight season is the company's most successful "residual" show *Father Knows Best*.

Screen Gems also released in the 1961-62 season the first group of Columbia Pictures post-1948 feature films including *Born Yesterday*, *Solid Gold Cadillac*, *On the Waterfront* and *The Caine Mutiny*.

Also helping Screen Gems growth is expansion to foreign markets. Its programs are dubbed in six languages and shown in 38 countries from the Far East to Argentina. "There isn't a country in the world that has TV that doesn't have our programs," asserts assistant treasurer Berton Schneider, tall blond son of the president. The younger Schneider says all US companies peddling TV films overseas grossed about \$30,000,000 last year of which Screen Gems accounted for around \$8,000,000; its nearest competitor took only \$3,000,000. Easygoing Abe Schneider (who prefers to be referred to in print simply as A Schneider) says: "Foreign markets are moving ahead at a great pace. Though there are some restrictions on American imports, markets are expanding and will continue to grow."

Sales to syndicates of local stations have increased sharply in the past

five years. Syndication chief Hyams emphasizes a constant source of income is the sale of re-runs of such programs as *Father Knows Best*. He adds: "The important thing is the residual value that is built up each year." Residual films are those which are shown as re-runs.

A key point in Screen Gems history was the start of the "Ford Theatre" series in 1953 with Hollywood personalities never before seen on TV. The films produced at Columbia studios cost \$30,000 each—too much at that time for even a major network half-hour. But Screen Gems took a chance and absorbed \$10,000 of the cost and sold each for \$20,000, expecting to make up the deficit in re-runs and foreign distribution. The gamble paid off and created more demand for such shows.

Quite naturally Screen Gems has exclusive distribution rights to all Columbia features prior to 1948. Screen Gems receives distribution fees of 25% of the gross revenues derived from domestic exhibition of feature films and 35% from foreign exhibition. The company also has exclusive distribution rights for the US and Canada until June 1971 for around 600 pre-1948 films of Universal Pictures.

Asked if Columbia Pictures fears competition from its own child A Schneider says: "It all depends on the market. Pictures are brought out on TV whenever the market is right. They wouldn't be major films—it would be crazy to put *Gone With The Wind* on TV. Films that have no great value for the theatrical world can go on anytime." He adds: "It's

our feeling motion pictures have a special audience."

In its first five years Screen Gems concentrated mainly on TV commercials but later tapered off. However in February 1959 Screen Gems re-entered the field on a fulltime scale with the purchase of Elliot, Unger & Elliot, a major New York filer of commercials. Another acquisition which has added variety to Screen Gems is the 1958 purchase of the animated cartoon company Hanna Barbera which had won seven Academy Awards over the years for its *Tom 'n Jerry* cartoon. *Huckleberry Hound* and *Yogi Bear* were created specifically for Screen Gems by Hanna Barbera. One of Screen Gems' new series for the 1961-62 season is *Top Cat*, a cartoon which will appear on prime network time. For a fee, caterers to the kid market can use cartoon characters—Yogi Bear spoons dish a batch of cereal every morning.

Right now Screen Gems is busy on contracts with the networks for the 1962-63 season. Asked about continued growth, president Schneider admits: "It's difficult to maintain the same pace but everything points to improvement."

MANAGEMENT The Wigwam of Natomas

WHEN a gold mining company is about to run out of gold it can either preen for its own funeral or look for another business. Sacramento-based dredger Natomas Company found itself in this embarrassing position in 1956 and went into the shipping business. Natomas is an Indian name meaning "laughing waters" and

its history goes back to the California gold rush. The willing shipping partner: APL Associates, owner of 52% interest in American President Lines, in turn owner of 91% interest in American Mail Line.

A few weeks ago in New York, vice president, secretary and treasurer Chandler Ide of the "new Natomas" discussed the outcome of this unusual merger. With net worth up 86% over the past five years to \$12.71 a share in mid-1961 and assets up about the same percentage to \$58,000,000, he sees the company well underway in a program of growth and development.

Behind Chandler Ide is Natomas chairman Ralph K Davies who started his career with Standard of California, made his fortune in oil and his name as the long-term OPA oil boss in World War II. Among other things Ralph Davies owns 29% of Natomas shares which he acquired in the APL merger; he bought his APL stock when the Government sold the line at public auction in 1952.

Some New Fields

Shipping is now the chief asset at Natomas and accounts for 73% of the total. These investments brought in about half of Natomas income last year including equity in undistributed steamship earnings. Vice president Ide says the shipping ratio will decline "as low as 50% as the company expands its operations and investments into other fields."

Gold dredging has not disappeared although only one of Natomas' five six-story dredges is at work. The work site is Folsom, Cal and has a lifetime of only 2-to-3 years. To solve the problem of idle capacity as well

as lower income, Natomas has been looking for mineral deposits in other countries. Brightest hope is a "most exciting and highly promising" gold placer deposit 16,000 feet above sea level near Peru's Lake Titicaca. Executive Ide says gold values are estimated at 30¢ a cubic yard *v* 10¢ in California and a \$1,200,000 investment may return \$10,000,000 over ten to twelve years. Natomas has the go-ahead from the Peruvian Government and last month the first big chunks of a \$1,500,000 dredge left San Francisco by freighter for Peru. By next July it will "gather up the gold-bearing gravel" under direction of newly created Natomas of Peru. The gold can be sold in world markets unstifled by pegged prices and Chandler Ide confides: "We will sell for whatever we can get."

While Natomas' present US reserves are almost devoid of gold, they have left the company with 8,000 acres of valuable land in California, Nevada and Colorado. The bulk is in the Sacramento Valley right off US highway 50. Listed on the books at \$200,000, "estimates run to \$7,500,000, with some acres already sold at \$4,500 each." Of further help is the company has granted options to the Industrial Sites Foundation of Sacramento County on certain acres for which the Foundation will undertake an active nationwide program to lure industrial buyers. Comments Ide: "Through sale of these properties, we are deriving cash for more attractive opportunities." An adjunct to the gold dredging properties is the Natomas Water Company on California's American River. Today it serves

4,000 customers, brings in an annual \$50,000 profit and was given a rate increase in January.

Natomas has decided to enlarge its horizons. Claims Chandler Ide: "The basic policy of the company is to build for the future—building soundly on the existing resource foundation, utilizing income from dividends, current operations and the liquidation of surplus lands to diversify in areas related to our competence—international transportation, natural resource development and special opportunities."

Recent opportunities which Natomas hopes will fill the till include:

- A 22-story office building almost completed in San Francisco's financial district to be used for company HQ and leasing. Cost of the 232,000 square foot building is about \$10,000,000 with \$6,500,000 provided by a 25-year mortgage from Aetna Life Insurance Company.
- A joint venture with famed builders Morrison-Knudsen Company (IR, July 6, 1960) which has taken a contract with Crystal Bay Development Company to install water facilities and a sewage disposal plant and to construct roads for Lake Tahoe's 9,000 acre "Incline Village." This residential and recreational community will be started through \$5,400,000 of bonds by Incline Village General Improvement District.
- Financial support of California's H C Smith Construction Company in exchange for a share of net profits for construction, activation, modification, and maintenance of missile launching bases and support facilities. With operations on a cost plus



Vp Ide (c) sees dredge off to Peru

basis, contracts have been received for "practically all" of this work at Vandenburg Air Force Base, Cal and for twelve silo installations for the Atlas missile program at Lincoln Air Force Base near Lincoln, Neb.

For owners of Natomas 3,180,000 shares of stock mid-1961 earnings came to \$518,000 or 16¢ a share down from last year's 19¢ which was bolstered by deferred income from instalment sales of land. For the full year 1961 Chandler Ide expects consolidated earnings to top last year's \$2,130,000 or 67¢. Next year will be better as the new sources of income pay off. Natomas shares are little known despite their Big Board listing. Last fortnight they traded around 8 or midway between the 1961 high & low but 43% below their alltime high in 1946.

As for the next move, vp Ide admits half-jokingly: "We'd like to have the mineral rights on the moon."

WE HEAR FROM . . .

For the past 15 years the policy of this section has been to print only letters of criticism or additional information. Because they would add little to the knowledge of readers, our numerous complimentary letters will be included only on rare occasions.

Dark Luminescence

GENTLEMEN:

In your September story on electroluminescence you explain parenthetically that phosphors are luminous compounds of phosphorus. This just isn't so. Even the phosphorescence of phosphorus itself is a property of the element and not of a compound. Indeed I cannot call to mind a single one of the fluorescent, luminescent or phosphorescent materials mentioned in your "New Look in Light" paragraphs that contains compounds of phosphorus.

Nevertheless I find your *Reader* interesting and instructive, even if not always chemically pure.

Very truly yours,
W A BUSH
Chemical Adviser

Chemist Bush is purely right. Phosphors are the generic name for any fluorescent substance.—*Ed.*

Vertical Integration

GENTLEMEN:

We have read a copy of your INVESTOR'S READER for September 27, 1961 and we found the article headed "Fuels" on pages 8, 9 and 10 to be particularly interesting. So interesting in fact that we would like to take issue with the article insofar as it refers to Suburban Propane as "the only vertically integrated company in the field." General Gas Corporation, our parent company, not only is vertically integrated but it has been since 1959. We quote below from General Gas Corporation's 1960 Annual Report:

"Diversified Activities—The Company began its move toward vertical integration during 1959 by entering into the production and brokerage of natural gas liquids by acquiring controlling interest in Texas Petro Gas Company. Its subsidiary, Petro Gas Producing Company, produces butane and propane in the operation of a gas processing plant on the Gulf Coast of Texas."

We also quote from a prospectus on General Gas Corporation of May 1960:

"General Gas in 1959 made its first move

HOLLYWOOD

toward vertical integration in this industry by the purchase of controlling interest in Texas Petro Gas Company which is a producer as well as a wholesale marketer of LPG in Texas. Thus, for the first time in its twenty-five year history, it is actually producing part of its LPG for distribution."

May we suggest that a correction might be in order.

Very truly yours,
FORREST S WARREN, President
Texas Petro Gas Company

Suburban replies: "Suburban's claim is based on a concept of integration that includes production at one end and the manufacture of equipment for use in homes and industry at the other end. It has been management's understanding that no other organization in the field is integrated to this degree."—*Ed.*

Motive Power

GENTLEMEN:

WHIPPANY, NJ

Fred Weymuller's article in your September 27th issue was not only very interesting but of considerably more importance to us both very, very factual. In the limited time given to him on his visit here to Whippany he did a great job of screening out the essentials and highlights of our story.

I hope, however, it was not Fred that typed me in the cut-line under the photo as "Propane-Propelled." Perhaps I might feel compelled to plead guilty to being propelled by greed, pride, or Bacardi rum when without my knowing it it was only propane that has kept me going!

Very truly yours,
MARK ANTON, President
Suburban Propane Gas Corp

While correspondent Weymuller was touring Europe, another writer found that in this picture at least lift truck chauffeur Anton was propane propelled.—*Ed.*

Fafnir Bearing Spreads its Sales

Connecticut Firm Finds Customers In Many Fields

IT IS A RARE FIRM which dips into opera to find its corporate title, but that is what The Fafnir Bearing Company of New Britain, Conn did. Half a century ago its founders took a fancy to Fafnir, the fire-breathing dragon from Wagner's *Siegfried*. They used him to identify the company with Germany which up to then had made the world's finest ball bearings. The dragon is still Fafnir's hallmark.

Now Fafnir is off and roaring into its second half century as the nation's No 1 independent maker of ball bearings. It takes second place to GM's New Departure division in that field and in the broader area of anti-friction bearings (which includes roller bearings) it ranks fifth.

Unlike many latterday diversifiers, Fafnir prefers to stick strictly to its original item. However chairman Stanley Miller Cooper insists his company is diversified by virtue of the wide range of industries and companies to which it sells bearings.

At one time Fafnir was considered chiefly an automotive supplier. But while Ford is still one of the company's biggest single customers, the entire auto industry accounts for just a shade over 5% of total volume.

About three-fourths of sales goes to the original equipment market and the remaining quarter to replacement parts outlets across the

country. In the original equipment portion, autos plus highway and farm equipment account for about 25% and another 25% is attributed to industrial machinery. Aircraft & missiles (including instrumentation) contribute 20% and domestic appliances, air conditioning, etc, about 5%. Of total volume under 15% is in Government work, mostly subcontracting in the aircraft, missile and instrumentation fields.

Architect of much of this sales diversification is chairman Cooper who joined Fafnir's advertising department after graduating from Yale in 1924. His father, Elisha H Cooper, was co-founder and first general manager when Fafnir opened its doors in 1911. Son Stanley rose through the sales arm of the business to become president in 1948. Eight years later he moved up to chairman.

Tailored Bearings

The bearings his company turns out range in size from $\frac{1}{4}$ " in diameter for such items as electronic computers to three feet for some industrial machinery. About half the company's sales are made straight from a standard catalog and another quarter are "variations of these standards." The rest of the orders are "outright specials" and according to Stanley Cooper specialization is becoming increasingly characteristic of the bearing industry. "It gets more tailored all the time. As it becomes more & more of an engineered business, it becomes more of a headache for the manufacturer

but it also makes it harder for others to come in." For this reason he feels Fafnir's position is particularly fortunate in that its many years' accumulation of machines, tooling and knowhow could not be duplicated today and be competitive.

A few years ago when the trend to miniaturization of instrumentation brought a number of specialized bearing companies into the business Fafnir also entered the field. Stanley Cooper still feels even with Fafnir now a factor in the miniature field that "the bloom is somewhat off the rose and the importance of the miniature bearing field in relation to the bearing business as a whole has been overemphasized."

Because of the "evolutionary rather than revolutionary" nature of the business, Fafnir's research & development budget goes mainly into



further developing and improving existing products rather than empirical research. Chairman Cooper elaborates: "A lot of R & D doesn't pay in this business because it doesn't produce radically different products. We have to watch the pennies and can't get too damn fancy." He calls the cost-price squeeze the industry's biggest problem. "We've

experienced tremendous growth and have improved our efficiency but we can't indefinitely raise wages and not raise prices." He concedes: "We're in the process of raising some prices now but they won't offset cost increases of the last two years. It's particularly hard to hike prices on the standardized products where we deal with strong, smart buyers and broad competition."

As for much-touted foreign competition, "in size it doesn't amount to much. Why, in the first seven months of this year, ball bearing imports came to only \$4,000,000 and that's out of a total ball bearing business worth over \$200,000,000. However, imports have been denting the price somewhat, but the rate of their influx has slackened." The voluble chairman explains a factor in Fafnir's favor: "You see, it's harder to buy something like bearings across an ocean—they're too important a part. If something goes wrong it could take months to straighten out and hold up production considerably."

Nevertheless Fafnir has long had a worldwide sales organization. In 1959 to take further advantage of the growing European and world industrial markets, Fafnir bought a 165,000-square foot plant in Wolverhampton, England from Timken. The British subsidiary's production facilities are already being expanded with the addition of a new 70,000-square foot plant scheduled for completion by year end. Last year it earned some \$770,000 and Stanley Cooper asserts: "It will earn more this year—it's doing well."

Most of the profits are plowed back for expansion and needed modernization but the parent company participates in its success through interest on loans and fees for management, both supplied by a Swiss subsidiary. As for further plans for expansion abroad, he allows, "at the moment we don't see anything we want but we're watching all the time." He cites the Common Market, India, Australia or Brazil as areas of possibility.

The same "always looking" attitude prevails on domestic mergers or acquisitions but there is "nothing imminent" on the home scene either. Chairman Cooper does not rule out the possibility of diversifying outside of ball bearings—in fact "five years ago we did a study" along those lines—but the chances are pretty remote. The fact is "nothing else looks as promising. We can't do better for the present."

A Time for Building

So Fafnir continues to busy itself making more bearings. A brand new 460,000-square foot plant for making large size bearings has been fully operative in nearby Newington, Conn since Spring and although Stanley Cooper admits "we haven't kept it as busy as we would like," he quickly adds, "we're very pleased with it." Because most of the construction was done during the recession last year, "it was cheaper to build and once it gets rolling it will pay for itself."

Although the Fafnir chairman finds this one bit of solace in the recession, overall the slump was damaging. For competitive reasons,

the company does not disclose its sales, but 1960 earnings were off 23% from record 1959 to \$7,388,000 or \$3.28 a share. Moving expenses connected with the new plant, other temporary costs and what Stanley Cooper calls "the difficulty of achieving high enough volume of sales to get production up to really profitable levels" all contributed to a poor first half; thus results for full 1961 are expected to be lower still. He thinks "in the neighborhood of \$5,500,000" is a reasonable estimate for the full year. For the nine months ended September, Fafnir posted \$3,997,000 or \$1.77 a share v \$5,992,000 or \$2.66 a year ago.

However chairman Cooper points out: "We made progress in the third quarter and we'll improve even more in the fourth." He further notes: "Incoming business is up. Our backlog of \$13-to-14,000,000 is 30-to-35% ahead of the first of the year." The conservative chairman admits business still isn't booming but is confident the pickup will continue and "we'll have a good year next year."

Of the 2,256,000 Fafnir shares outstanding, about 10% are held by management and directors. They trade over-the-counter, at presstime were quoted 52 bid, 55 asked. Although bid as high as 68 back in 1959 when earnings hit \$4.25 a share, the stock has climbed from a low of 13 as recently as 1955 (adjusted for a 10% stock dividend in 1959 and several other smaller ones). The shares currently pay a 50¢ quarterly dividend, thus yield a respectable 3.8%.

PRODUCTION PERSONALITIES

UTILITIES

Super Salesman Stephens Creates New Markets For AKG Natural Gas

WHEN Cities Service Company sold its 51½% interest in Shreveport-headquartered Arkansas Louisiana Gas Company to Wilton Robert ("Witt") Stephens in 1954, the company was an inconspicuous integrated natural gas distributor. Witt Stephens, head of W R Stephens Company of Little Rock, was hardly known at all outside his native Arkansas.

Last month at the annual American Gas Association convention in Dallas, the 54-year-old Arkansan received the industry's highest honor: the Distinguished Service Award for "the most outstanding contribution to the general interest of the gas industry." The company he heads has assets of \$198,500,000 and brought in \$114,400,000 in revenues in 1960.

All this has come from buying controlling interest in the natural gas utility "purely as an investment." But Stephens Company had to distribute the stock publicly within two years or be classified as a holding company. In January 1957 Witt Stephens resigned as officer & director of his own company to become chairman of Arkansas Louisiana Gas. He was elected president the next year after the unexpected death of J Carroll Hamilton.

In 1954 sales of natural gas accounted for four-fifths of AKG's (its Amex ticker symbol) \$42,400,000 revenues. Net income that year

was just below \$5,000,000. Last year under Witt Stephens' unusual leadership, operating revenues had more than tripled to their present level with utility and non-utility activities contributing "50-50." However, AKG counts its large industrial customers such as No 1 energy-producing competitor & customer Arkansas Power & Light, aluminum producers Alcoa and Reynolds Metals, Monsanto Chemical and International Paper as non-utility operations due to "the large volume they take."

Profits in 1960 topped \$16,416,000 or \$1.61 a share, down slightly from 1959 when they peaked at \$17,300,000 or \$1.72. For the January-September 1961 period earnings were "slightly ahead" of the \$1.23 reported for the same period last year. Although Witt Stephens declines to project a full-year figure, he ventures: "We're going to do better each year than the year before. That's what we're in business for."

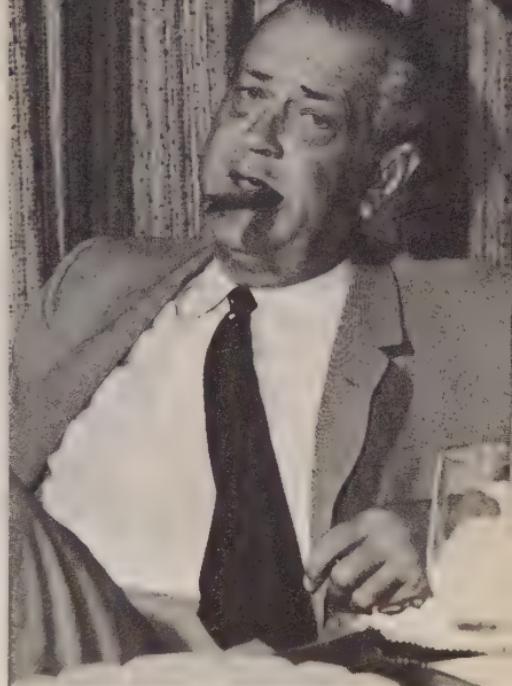
Both AKG and its chief executive have come to industry prominence through bossman Stephens' "different concept of the utility business." Thoughfully chewing on a habitual cigar at his Little Rock office, tall, graying Witt Stephens avows: "No industry has a better opportunity to build an area than a utility. We wouldn't be interested in operating one which didn't do anything but take from the people. Utilities can do more than just collect bills."

In order to sell more gas and to

"help our stockholders, our company and the people of our State (not necessarily in that order)," Witt Stephens has led his company into numerous and diverse operations based mostly in Arkansas. Current manufacturing activities range from cement production to chemicals to horse buggies. Southerner Stephens comments: "We are interested in building and buying industry we can bring to AKG pipeline territory" which besides Arkansas includes parts of Louisiana, Kansas, Oklahoma and Texas. But he realistically emphasizes: "We make a profit off everything we do."

When Witt Stephens took over the AKG reins, studies showed pipeline & distribution facilities were in use less than 40% of the year due to the service area's short heating season. "Two answers were apparent—increase the industrial load on one hand and the domestic load at the same time during the Summer."

Establishment in 1957 of a cement manufacturing subsidiary at Foreman, Ark was the company's first diversification move. Witt Stephens narrates, "we purchased a hundred years' supply of raw materials" at Foreman; then "we put up \$2,000,000 and borrowed \$10,500,000" to build the 1,400,000-barrel capacity plant. The patriotic Arkansan claims "we turned a ghost town into a prosperous community" which "is now thriving with a hundred new homes." Witt Stephens outlines subsidiary Arkansas Cement Corp's advantages: "300 good jobs for the people in Foreman, new residential gas customers for the parent com-



Convivial Witt Stephens

pany as well as over \$40,000 a month in industrial gas revenues."

Utility entrepreneur Stephens expects cement operations will increase about \$350,000 over 1960 to "contribute about a million" to AKG net this year. And with a doubling of plant capacity to be completed by year end, he foresees a comparable doubling of the subsidiary's earnings in 1962.

He emphasizes: "You can't make money in poor communities unless you bring in profitable business." Arkla Village is another of Witt Stephens favorite illustrations. When AKG shut down its compressor station in Emmet, Ark in 1955 depriving the village of its principal industry, imaginative Witt decided to construct a reproduction of a western frontier village which opened to the public in the Fall of 1959. He lectures "the company was

merely fulfilling a moral obligation to one of its communities which most utilities do not acknowledge." But businessman Stephens hastens to add: "There are more users of natural gas at Emmet and within a three-mile radius of Arkla Village now than ever before."

This million dollar project also has custom horsedrawn equipment, harness & saddle and period furniture factories. Of Arkla horse buggies, industrious Witt Stephens comments: "There are 3,600-odd counties in the US. If we sold one for every county fair, look how many we would sell." He matter-of-factly adds "no one else is making them."

Into Air Conditioning

To "improve our summertime load," AKG in 1957 quickly purchased the faltering Servel air conditioning division of Servel Inc—at that time the only one in the gas air conditioning field—for over \$4,000,000. Witt Stephens claims this Evansville, Ind subsidiary now called Arkla Air Conditioning Corp "has not been idle a day" since the acquisition. Although Arkla effected a "\$100 price cut across the board" on its models this year, increased volume more than offset it. Witt Stephens predicts this subsidiary will contribute "more to AKG's net this year" than its 1960 earnings of about a million dollars.

In 1958 the resourceful executive decided the natural gas industry "which buries its lines" needed an "identifier" to compete with electricity's overhead wires. Hence, Arkla began production of oldfashioned

but decorative Gaslites at the Evansville plant. Enthusiastic Stephens went out personally to sell these outdoor street and house lamps which he prefers to call Candles of Friendship. Today, he boasts there are "64,000 Gaslites on our system alone" each burning 24 hours a day for a dollar's worth of gas a month. Executive assistant Sam G Harris illuminates: "For every five Gaslites, it's like adding another customer."

Selling Gaslites or anything else is old hat to Witt Stephens. Born on a farm in Prattsville, Ark in 1907, he worked his parent's land—"I've picked as much as 500 pounds of cotton a day"—attending school when he could. A few months short of high school graduation ("I'm a high school grad only by honorary diploma from my old school") the young farmer left Grant County "to seek a job." He got a job selling belt buckles, vended Bibles as a sideline, soon became sales manager of the belt buckle company.

The depression ruined the belt buckle business and Witt Stephens returned to Little Rock. There at his father's urging (the elder Stephens was then a state legislator) he began buying up Arkansas municipal bonds which were selling at about 25¢ on the dollar.

For more than 20 years as head of W R Stephens Investment, Witt sold investments. His younger brother Jack, 38, now runs the business under the name of Stephens Inc. His office is a floor below Witt's in the three-story Stephens building.

Witt Stephens who claims "I'm a farmer at heart" spends all of his

free time at his 2,500-acre cattle farm, located an hour away from Little Rock. The Little Rock millionaire who also has an active interest in politics, sits in the Arkansas legislature as Grant county representative, "representing the people I was raised with."

AKG's other non-utility ventures either built or bought during the Stephens regime include 1) gas meters, control and measurement devices, 2) fiberglass boats, 3) installment financing aids for gas appliance dealers, 4) pipeline construction and operation, 5) inorganic chemicals (at a plant rented from the Government) and 6) natural gasolines, motor fuel and LPG etc. These chemicals are made by Arkansas Louisiana Chemical Corp set up in April 1958.

The company already has seven unique retail stations, has plans to open more to market its daily output of 200,000 gallons of motor gasoline. These stations serve as collection offices for gas utility bills and sell other AKG products including boats, rocking chairs and Gaslites.

Arkansas Louisiana Gas also drills for oil & gas, produces enough for about a third of its own needs. However contracts still in effect with "some 900 odd" suppliers limit the supply to about 20% at present.

With all these diversification moves into non-regulated fields, AKG has not neglected expansion of its utility activities. In August 1960 the Arkansas utility expanded its service area into 76 communities in Kansas and Oklahoma with the acquisition of \$33,000,000-assets Consolidated Gas Utilities Corp.



Gaslites glow for Arkla

And with this September's acquisition of Southwest Natural Gas for 292,000 shares of AKG common and last month's merger with Mid-south Gas Company for 336,000 shares, chairman-president Stephens expects natural gas customers to number "around a half million" compared to 376,000 in 1960.

Presently about 75% of AKG's natural gas sales are to industrial customers. With the addition of Southwest Natural Gas and Mid-south's primarily residential and commercial customers, Witt Stephens notes revenues from industrial and residential customers will be brought "to about the same level for the first time in ten years."

The movement of the 10,340,000 common shares has paralleled the company's expanded activities. In 1954 the adjusted high was 5½; in 1960, 38½. This year AKG shares reached a high of 45 in April, currently trade around 41 on the Amex.

This young British beauty is applying Sponge and Sparkle, a new cleansing and "toning" liquid made by world-famed Yardley & Company Ltd of Old Bond Street, London. For her there are no tissues, no creams, no soap and water needed to give an "exhilarating cleanse before that after-the-office date."

The product made its debut recently in London, to date has not been introduced in the US. It is another in Yardley's rapidly growing group of beauty aids—just one category of a business which includes toilet soaps, perfumery and men's items. Important trade names include Florentine lipstick and Flair perfume.

The company which was to become Yardley was founded in 1770 by a man named Cleaver whose son William in 1801 married Hermina Yardley. When William Cleaver was unable to repay a bank loan his father-in-law William Yardley repaid it and took over the business. It remained in the Yardley family till 1872 when a staff member Thomas Exton Gardner was made a partner and sole manager. The company is now in its third generation under the Gardner family. Chairman is T Lyddon Gardner, his brother Rodney is vice chairman and their cousin Richard is a director.

The company now sells all over the world, political and tariff barriers permitting. About 60% of output is produced outside Britain and another 16% is exported from Britain for overseas sale. This production plus goods for the home market is manufactured in the main plant in the Stratford district of London while the remainder is made by manufacturing subsidiaries or licensees abroad. Subsidiaries are in New York, Toronto, Paris, Sydney, Cape Town and Maracaibo. Mexican production is through a licensing arrangement. The company recently moved its US production facilities into a new \$3,000,000 plant in Totowa, NJ. British capacity was expanded early this year by leasing of additional space in Stratford.

To keep up manufacturing and sales standards, the company's executive board ranges the globe. Says one company official: "This is the most traveled group I know."

While administrative headquarters for Yardley are at the Stratford plant, spiritual as well as international headquarters are in its stylishly updated offices at Old Bond St. On the lower floors London's ladies may "shop in

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beauty," or relax in sound-proofed, air conditioned rooms while taking beauty and manicure treatments. On another floor girls from all segments of the beauty trade receive intensive two-day courses in how to use (and sell) Yardley products. Advertising department and research laboratories for Britain are upstairs. International research headquarters however are in New York. There too the company's address is distinguished—Fifth Avenue in Rockefeller Center's British Empire Building.

Pre-tax profits for Yardley have shown growth in each of the last five years except 1958. In 1960 they totaled £1,789,000 or just over \$5,000,000 up from

£1,576,000 the previous year. The 1959 results were the first to top the £1,551,000 earned in 1949 and put the company into new high profits ground. About 1961 secretary Leslie Rowley says: "We are busy; whilst I don't want to overemphasize it, there is a substantial Christmas trade in our business particularly in the United States; therefore it's not easy to predict even at this time." Yardley's New York office says Christmas trade prospects "look very good." Over the coming years secretary Rowley says: "Subject to the forces of nationalism and tariff barriers, we expect to enjoy our share of the world demand for the class of product we manufacture and sell."

In keeping with the still general though diminishing British practice, Yardley does not publish sales figures. However secretary Rowley says sales have not outpaced earnings.

Widely known in the US for its products, Yardley has recently made a debut in US securities circles. Its shares are now traded in American Depository Receipts and are quoted around 5½. In London the price of 38 shillings 6 pence is nearly triple the 1959 low of 14 shillings 8 pence (\$2.05). The company has 11,000,000 A ordinary shares outstanding in addition to two classes of preferred, an unclassified 4 shilling par issue and 1,000,000 ordinary shares. These are held mainly by the Gardner family and have dominant voting power.



This is a news and educational publication about financial and business matters. Articles are selected for their news or general interest and should not be considered a recommendation to buy or sell securities.

FREEDOM

Horace Walpole, the Eighteenth-Century English Member of Parliament and squire of Strawberry Hill, once observed: "The Americans are mostly engaged in trade and plantation. Their chief object is to make money. And, in truth, money is freedom."

Rampant materialism? Perhaps. But it might be said that Walpole was only echoing Ecclesiastes: "Money answereth all things." For certainly money goes a long way toward enabling people to be, do, and have what they like. As a modern wag put it, money makes it possible for you to choose your favorite misery.

But even though money is freedom, it isn't security. There is a risk in owning money—the risk that inflation will eat away its purchasing power, as it has in the past. If you want to take steps to preserve the purchasing power of any spare money you have, then you should consider investing in good common stocks that offer potentialities of growth.

True, stock prices can go down as well as up. But over the years prices of good common stocks have tended to go up as our economy has grown, and the trend seems likely to continue.

Would you like the names of some stocks that we feel have growth possibilities? Ask for a copy of "*20 Stocks for Long-Term Investment*," available from any of our offices without charge or obligation. Reading it may be the first step you take in the direction of freedom from financial cares in the future.

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